



*Post-War Iraq:  
Challenges and Prospects for the Future*

**June 2003**



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We're helping to rebuild Iraq, where the dictator built palaces for himself, instead of hospitals and schools. And we will stand with the new leaders of Iraq as they establish a government of, by, and for the Iraqi people.

The transition from dictatorship to democracy will take time, but it is worth every effort. Our coalition will stay until our work is done. Then we will leave, and we will leave behind a free Iraq.

***-President Bush***

*Aboard the USS Abraham Lincoln, off the coast of San Diego  
May 2, 2003*



## 1. U. S. Assistance Highlights

Source: USAID, <http://www.usaid.gov/iraq/>, June 9, 2003

Assistance Highlights	
<b>USAID FY03 Funding to Date:</b> <b>\$544,077,137</b>	<b>Metric tons of food already distributed in Iraq by the World Food Program:</b> <b>73,913</b>
<p>The U.S. will provide 590,000 metric tons of food, worth over \$435 million, to feed the people of Iraq. In addition this food assistance, USAID is spending to date over \$486,270,000 on humanitarian relief to Iraq. Organizations receiving this money include the Red Cross and Red Crescent, UNICEF, the U.N. High Commissioner for Refugees, International Organization for Migration, and the U.N. Office for the Coordination of Humanitarian Affairs. USAID has also provided \$90.9 million for reconstruction, including:</p>	
<ul style="list-style-type: none"> <li>‡\$34.6 million to <a href="#">Bechtel</a> for infrastructure</li> <li>‡\$10 million to <a href="#">ABT Associates</a> for health</li> <li>‡\$10 million to <a href="#">World Health Organization</a> for health</li> <li>‡\$9 million to <a href="#">UNICEF</a> for health and education</li> <li>‡\$7.9 million to <a href="#">Research Triangle Institute</a> for local governance</li> <li>‡\$7.1 million to <a href="#">International Resources Group</a> for personnel support</li> </ul>	<ul style="list-style-type: none"> <li>‡\$4.8 million to <a href="#">Stevedoring Services of America</a> for port management and administration</li> <li>‡\$4 million to the <a href="#">Air Force Contract Augmentation Program</a> for theater logistical support</li> <li>‡\$2.5 million to <a href="#">SkyLink Air and Logistic Support</a> for airport management and administration</li> <li>‡\$1 million to <a href="#">Creative Associates</a> for education</li> </ul>

## 2. Iraq - Humanitarian and Reconstruction Assistance

Source: State Department / USAID,  
[http://www.usaid.gov/iraq/updates/jun03/iraq\\_fs46\\_060503.pdf](http://www.usaid.gov/iraq/updates/jun03/iraq_fs46_060503.pdf)

**U.S. DEPARTMENT OF STATE**  
**U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT**  
*Iraq – Humanitarian and Reconstruction Assistance*  
Fact Sheet #46, Fiscal Year (FY) 2003 June 5, 2003

### **Current Humanitarian Situation** (June 5, 2003; updated biweekly)

#### **Regional Updates**

##### *Umm Qasr*

- According to the USG Disaster Assistance Response Team (DART) and World Food Program (WFP) discharge reports, the M/V Thor Sky finished offloading its cargo of 14,000 metric tons (MT) of rice at the Port of Umm Qasr on June 4. The bagged rice from the M/V Thor Sky is being distributed within six different governorates (Wasit: 4,530 MT; Al Qadisiyah: 3,000 MT; Al Muthanna: 3,000 MT; An Najaf: 1,500 MT; Karbala: 1,000 MT; Maysan: 1,000 MT for a total of 14,030 MT discharged by truck transport). The M/V Sea Express will finish offloading 9,500 MT of wheat destined for the southern governorates (Karbala: 5,000 MT and Wasit: 4,500 MT) in the next couple of days. The M/V Nanking which arrived on June 3 has begun off-loading its cargo of 10,000 MT of wheat flour destined for the central governorates (Baghdad: 5,400 MT and Babil: 4,600 MT). The M/V Orbit was expected to berth by June 5 with 15,000 MT of wheat flour for the South. The M/V Thor Sky, M/V Nanking, and M/V Orbit are each carrying commodities purchased with funding from USAID given to WFP.

##### *Western Iraq*

- The U.N. High Commissioner for Refugees (UNHCR) reported that as of June 2 there were 1,278 people residing in the no-man's-land (NML) at the Jordan/Iraq border. Approximately 1,150 of the NML residents are Iranian Kurds from Al Tash refugee camp, a total that has remained stable for the last several weeks. On June 2, there were 944 Palestinian refugees in the refugee camp at Ruweished. Following fierce sandstorms on May 29-30, 57 Palestinians voluntarily departed the UNHCR refugee camp at Ruweished and returned to Baghdad. The severe climatic conditions also prompted another 40 Palestinians to begin daily protests at Ruweished, demanding permission to enter Jordan. An additional 35 Palestinians remain at the U.S.-controlled Iraqi border post, where they sought shelter after being denied entry to the NML on May 23.

## Sector Updates

### *Coordination*

- On June 2, the Humanitarian Operations Center's (HOC) Operations Cell announced that the U.S. First Marine Expeditionary Force will take over the operations role of the HOC in Kuwait City on July 1 and continue as a Humanitarian Assistance Coordination Center (HACC) with a small Coalition forces staff of approximately four members. Meanwhile, the Government of Kuwait will support the HACC with Kuwaiti staff and civil servants. The HOC in Baghdad will assume the responsibility for coordinating and disseminating information and guidance on all of Iraq, with the support of the HACCs in Kuwait, Jordan, and Turkey in providing more localized knowledge and advice.

- According to the DART, the first HACC Iraq Conference held May 31 in Al Hillah drew 62 representatives from 35 NGOs, as well as USAID Mission personnel, U.S. Embassy in Kuwait representatives, and the U.N. The one-day meeting allowed participants a chance to network and share information on relief and reconstruction projects in the area.

### *Food*

#### Public Distribution

- On June 1, public distribution agents began picking up their quotas of food throughout the country. Some governorates have reportedly not yet begun distributions to clients. According to the DART, the first four days of distributions have passed without major incident. The U.N. Office of the Iraq Program (UN OIP) reported that the June food ration will consist of 9 kilograms (kg) of wheat flour, 3 kg of rice, 250 grams of pulses, 1 litre of oil, 2 kg of sugar, 200 grams of tea, 3.6 kg of infant formula, 500 grams of detergent and one piece of toilet soap per person. Pulses are in short supply and milk powder is absent from the June food "basket" because of low in-country stocks.

- In northern Iraq, the news coming in indicates that food and flour agents are picking up their food stocks in all areas except for Kirkuk. Kirkuk's delay is planned, in order to allow the Ministry of Trade (MOT) to finish filling gaps in the previous distribution. There are still no reported, major problems. DART members continue to monitor the situation.

- On June 3, a DART member returned to Tikrit to meet with WFP national staff and MOT head of the food department. WFP currently has around 10,000 MT of stocks, including nearly sufficient (for June) quantities of wheat flour (5,500 MT) and rice (4,035 MT), as well as around 600 MT of lentils. The MOT has very large stocks of sugar, and enough tea and soap for the June distribution. It also expects to receive an additional 950 MT of ghee or vegetable oil, 450 MT of detergent, and 40 MT of infant formula in the coming days from southern Iraq.

- According to the DART, the June food distributions continued without major flaws in Babil governorate today with large numbers of trucks delivering commodities to Al

Hillah warehouses, and others picking up ration supplies to be disbursed by local food agents. Numerous fuel tanker trucks were also visible in Babil and elsewhere in the region, filling tanks at fuel stations and slowly relaxing post-war fuel shortages.

### **Local Purchase**

- Food and Agricultural Organization (FAO) is finalizing a proposal to purchase 500,000 tons of barley harvest at the price of \$65/ton. The proposal was sent to UN OIP in New York on June 4.
- According to the Ministry of Trade (MOT), funds to buy the wheat harvest in Mosul are expected to arrive between June 7 and June 10. The farmers will be paid in U.S. dollars at \$105 per metric ton for wheat. The MOT states that farmers can sell to the local purchase points or to others for export.

### *Fuel*

- According to the DART, the Dahuk governorate is paying 19.67 Iraqi dinars (ID) per liter of gasoline. The Dahuk governorate is receiving its supply of gasoline from Mosul. Rather than using Iraqi Swiss dinars, the governorate is using Iraqi dinar as requested by the U.S. Army Command in Mosul. The governorate is reported to not be making a profit from the sale of gasoline at the 19.67 ID price (\$1 USD = 1430 ID) being charged to the driver. There are lines and shortages at the Kurdish Democratic Party (KDP)-sponsored gas stations, while numerous private vendors are reported to have a plentiful supply of gasoline available.
- On June 4, DART members reported a noticeable decline in the length of gasoline station lines in Al Hillah as the Coalition force's contracted fuel tankers have been making their way into the region from Kuwait during the last two weeks. The expectation is that supplies of gasoline will drastically improve by the end of June when domestic Iraqi fuel production is expected to increase and be distributed internally. To date, Babil governorate has received approximately 25 percent of its liquid propane gas (LPG) requirement. LPG plants in Babil governorate have begun to distribute a limited number of propane canisters, although in some local distributions security was called in to control the waiting crowds.

### *Security*

- At a June 3 NGO coordination meeting in Baghdad, the U.N. announced that it has set up a security coordination cell in Baghdad to keep the humanitarian community informed of security developments throughout the country. The top priority of the security coordination cell is to ensure the safety of humanitarian workers through a transparent and open process of informing humanitarian organizations of security threats in the country.

### *Water and Sanitation*

- According to the HOC Engineering Cell, Kharafi National representatives, contractors for the Kuwaiti Ministry of Electricity and Water, performed site visits to

several potential test well drilling locations within Al Basrah governorate on June 4 for the placement of the Kuwaiti-donated reverse osmosis (RO) desalinization units. The well drilling is expected to begin soon to determine the well recharge rates in these locations. Kharafi National will also perform additional site visits within the Al Basrah governorate during the next few days. The additional sites have been identified by Iraq's Ministry of Water. Six of the eight RO units have been disassembled and are ready for delivery and positioning as soon as adequate source water has been verified.

## **Current Reconstruction Situation** (June 5, 2003; updated biweekly)

### **Regional Updates**

#### *Baghdad*

- USAID private sector partner Bechtel and the U.S. Army Corps of Engineers reviewed the Baghdad-area power plants (South Baghdad, Doura, Taji, Al Qudas, and Moussaib) to find a way to promptly bring as many megawatts to the grid as possible before the beginning of the summer peak. Despite ongoing repairs, a number of factors could still put the power situation for the Baghdad region in jeopardy. The demand in the Baghdad area is in excess of the regional generation and is expected to increase through the summer, moreover, many generating facilities around Baghdad are old, lacking regular maintenance and should not be expected to operate with high reliability throughout the summer; the security of the transmission lines used to import power from northern and southern Iraq cannot be readily guaranteed; and much of the generation in the Baghdad area is dependent on natural gas as a fuel and is subject to unavailability caused by low gas pressure in the pipeline network.

#### *Umm Qasr*

- USAID private sector partner SSA reported on June 4 that the M/V Aviva docked with 5 million liters or 4,500 metric tons of gasoline (benzene). The Iraqi State Oil Marketing Organization (SOMO) is importing this gasoline and it is understood that SOMO is seeking to import about 100,000 metric tons over the next days.

Normally, domestic refineries produce sufficient gasoline to meet Iraq domestic consumption levels of about 15 million liters per day, but currently refineries are producing at a rate of only eight million liters resulting in large lines at gasoline outlets. SSA is coordinating the arrival and off-loading of the Aviva.

### **Sector Updates**

#### *Education*

- USAID Mission personnel and UNESCO are discussing revisions of math and science textbooks under the recent award grant from USAID. A strategy was worked

out that will focus on utilizing an Iraqi-led committee. A further work plan is being developed.

- USAID personnel received salary data for teachers in the four Baghdad districts. An authorization letter has been prepared and provided to U.S. Treasury advisors, which will be transmitted to the Iraqi Ministry of Finance for the payment of 4,000 Ministry of Education (MOE) employees and 70,000 teachers and school administrators in the Baghdad area. The payments are scheduled to take place on June 7.

- Discussions with USAID grantee UNICEF on assistance to be provided to the MOE for the administration of the final exams will begin on June 21.

- School assessment data provided by UNICEF and U.S. military civil affairs teams will be used by Bechtel to identify at least 1,600 schools across the country that have either sustained conflict damage or suffer from regime neglect.

### *Health*

- USAID private sector partner Abt Associates subcontractor, International Medical Corps (IMC) joined Abt and USAID on project meetings held June 1-2 in Kuwait City. IMC will begin health evaluations mainly targeting health centers and determining needs for rehabilitating, equipping, supplying and training as soon as agreement is reached regarding permissible areas within the project focus. The evaluations will be conducted using standard review tools and the data will be provided within agreed timelines.

### *Infrastructure*

- Bechtel met with Governorate Support Teams (GSTs) in An Najaf to discuss schools and review assessment information. Repair and rehabilitation work on schools is planned for the summer break before the school year begins this fall. GSTs will give Bechtel a proposal to rehabilitate approximately 100 schools in the An Najaf province.

- Bechtel reported that the Ar Rutbah bypass operation is underway and a day or two ahead of schedule. The Iraqi construction firm has been subcontracted by Bechtel for work at the site, including security. Bechtel and the firm jointly developed a safety plan and procedures that include safety signs in both Arabic and English, the mandatory use on site of hard hats, hard-toed boots, gloves and safety glasses.

- SSA and Bechtel reported that the UNDP-contracted salvaging vessel may pick up the first wreck tomorrow at the Port of Umm Qasr. SSA, Bechtel and UNDP have agreed that the Turkish salvager and Bechtel will each raise 5 of the identified sunken objects. Removal of the wreck referred to as 'Barge No 3' for Bechtel is a high priority, as it is intended to dredge in that area beginning from June 18-20.

- Dredging has progressed according to plans and will continue until the new port area is dredged to about -12.5 meters. A box at Berth 10 at the grain facility will be dredged to -13.5 meters and it is expected to complete that depth around June 18. The

dredging process is made in close coordination with Bechtel subcontractor, Great Lake/Titan, using magnetometer surveys to check for wrecks and unexploded ordnances. Wherever a magnetometer hit is located, a combination of dredging/diving/magnetometer survey is adopted to suit the individual case.

- USAID reconstruction representatives met with the Coalition forces to discuss reconstruction progress at the Al Basrah to date. The group conducted a site tour of the facilities and report that the airport sustained minimal damage at a result of the conflict and consequently, work has focused on clean up and the restoration of operation systems. The team also met with the CMOC Chief of Staff in Basrah to discuss the availability of housing for six members of the U.S. Army Corps of Engineers and one USAID reconstruction team member (a civil engineer) to participate on the prioritization and implementation of infrastructure and environmental programs in the southern region. Coalition Provisional Authority South (CPA South) can immediately provide life support (living accommodations, security and food) for two persons and more complete support in July.

#### *Local Governance*

- USAID's private sector partner Research Triangle Institute (RTI) continues to implement the Baghdad Neighborhood Advisory Council (NAC) project with increasing success. At a NAC meeting in Baghdad's Rusafa District in the Abu Nawas neighborhood, 67 men and 20 women showed up for a meeting to select their Neighborhood Advisory Council. Eleven individuals put themselves forward to become representatives to the five person advisory council. Each of the 11 faced the audience and told the audience who they were, their qualifications and why they wanted to be on the council. Selection nomination ballots were passed out and the selection was made by secret ballot. The ballot results was counted publicly and also announced. RTI reports that this is a very optimistic sign that the Iraqi people will accept the democratic process.

- USAID and RTI visited several facilities that had been recommended as possibilities for Baghdad Neighborhood Advisory Council (NAC) meetings. The Dora General Library, Shaii Al Masafi, Dora District was visited and was deemed an appropriate NAC meeting site. During a tour of the facility the team met the library director, who has been at the library for 20 years, and learned that the library's books had been saved from the conflict and looting, but assistance was needed for refurbishing the library. USAID facilitated coordination among US military Civil Affairs (CA) personnel and Ministry of Housing and Construction personnel to explore ways to leverage resources for the work.

- USAID and RTI visited the Hayy Al Amil/Hayy Al Bayaa neighborhood advisory council meeting facility in the Al Rashid District. It was determined that two rooms of this facility could be rehabilitated for the neighborhood advisory council. A grant application for this project will be obtained.

#### **U.S. Government Response Emergency Relief**

USAID/Office of Foreign Disaster Assistance (OFDA) is supporting U.N. and NGO emergency assistance activities through quick-impact projects and internally displaced persons (IDP) support. USAID/OFDA supports projects in the sectors of agriculture, food security, health, logistics, nutrition, shelter, and water and sanitation.

- DART has approved an implementation plan under OFDA's cooperative agreement with Mercy Corps to make emergency spot repairs to the water distribution network in Al Kut in order to ensure access to safe drinking water for 280,000 residents of the city. Repairs will be carried out in partnership with the city's water department. Interventions will be prioritized to focus on Al Kut's Al Ummal and Damuk districts, where an estimated population of 30,000 is likely to be affected by serious water borne diseases with the imminent summer.

- DART has approved an implementation plans under OFDA's cooperative agreement with Save the Children/US to support water distribution in the city of Al Basrah through the provision of necessary equipment to the city's Bradiyah and Az Zubayr water treatment plants to keep the station running effectively until larger-scale repairs can be undertaken. Equipment to be provided includes pumps, hoses, chlorination fittings, and spare parts.

- DART has approved an implementation plan under OFDA's cooperative agreement with Save the Children/US for support for ten delivery rooms in hospitals or primary health care centers within the governorate of Al Basrah, with the goal of reducing mortality and morbidity among children under five years of age and reducing mortality among pregnant and lactating mothers. Support will include the provision of medicines, supplies, equipment, and training. The project will benefit an estimated 300,000 people.

- USAID's Office of Food for Peace (USAID/FFP) is providing emergency food commodities through the Bill Emerson Humanitarian Trust (BEHT) and P.L. 480 Title II emergency food assistance to WFP for distribution to food insecure Iraqis. WFP also received a cash contribution from USAID/FFP for the purchase of commodities in the region. - -

USAID/OTI is supporting the implementation of the Iraq Transition Initiative (ITI). The ITI program supports the process of political stabilization and community recovery in post-conflict Iraq by providing small grants designed to build confidence among Iraq's diverse ethnic groups, increase citizen participation in decision-making, and rapidly respond to community needs, while establishing and building trust for long term reconstruction efforts. The ITI program is implemented through Development Alternatives Incorporated (DAI) and the International Organization for Migration (IOM). In addition, USAID/OTI works with the Broadcasting Board of Governors to enhance the capacity of Radio SAWA to broadcast humanitarian and reconstruction reporting.

USAID/OTI has approved four small grants in the Al Basrah governorate, to be implemented by IOM and partner NGOs. *Relief International* will rehabilitate the Al Amarah girls' secondary school. The school suffers from years of neglect, and was prioritized by the local minister of education. There are 540 girls enrolled in the school, and 26 teachers. The electrical system of the 16-room school will be restored,

and the building will be repaired and painted. OTI/IOM will replace computers and furniture that were looted from the Al Basrah Bread Basket Food Distribution Center. This warehouse serves as one of the primary storage and distribution hubs for food distribution in the southern region. *Ockenden International*, with support from OTI/IOM, will implement a project that will reduce public health threats in Al Amarah. Working with the Department of Sanitation, Ockenden International will provide the necessary supplies to enable manual cleaning of sewage drainage points throughout Al Amarah's seven districts. -

The Department of State's Bureau for Population, Refugees, and Migration (State/PRM) contributed assistance for the pre-positioning and emergency response activities of the U.N. High Commissioner for Refugees (UNHCR), the International Committee of the Red Cross (ICRC), the International Federation of Red Cross and Red Crescent Societies (IFRC), and the International Organization for Migration (IOM).

### **Reconstruction**

- In addition to the emergency relief assistance provided through the DART by USAID and the Department of State, USAID's Asia and Near East Bureau (USAID/ANE) has provided assistance for reconstruction activities in Iraq in a broad range of sectors. USAID supports reconstruction projects in education, governance, health, infrastructure, and logistics.

- SSA and Bechtel are continuing dredging operations near the entrance of the new port. It is expected that by June 15, the entire new port area will be accessible to -9 meters depth. Further dredging is intended to clear the new port channel to -13 meters. Dredging of the old port and the Khawr Az Zubayr entrance channel is scheduled to begin within the next 10 days.

- Through its grant from the USAID, the World Health Organization (WHO) has assessed 168 out of 525 hospitals and specialist referral centers in Iraq to date, together with 82 Primary Health Centers in two governorates (Ninewa and Tameem) and worked with the MoH and other stakeholders, notably UNICEF, the DART and the NGO community, to collate findings into a 'health needs tracking table'. In addition, WHO has engaged in control programs for malaria, leishmaniasis and diarrhoeal diseases in five governorates (Mosul, Kirkuk, Arbil, Dohuk, Diala), instituted water quality control procedures in six governorates (As Suleymaniyah, Arbil, Dohuk, Kirkuk, Mosul and Diala), and assisted stakeholders in the health sector, including the MoH, on matters related to public health including guidelines on medicine donations and advice on the use of field hospitals. In the near future, WHO plans to work to reactivate the national medicine supply and distribution network, strengthen public health capacity at national and governorate levels, and assist in the reactivation of essential medical care services in hospitals and health centers.

- RTI will secure a grant proposal from the owner of the library facility (the Baghdad municipality) for the reconstruction work and will issue a solicitation to Iraqi contractors for the materials; labor will be provided by the Iraqi Ministry of Housing and Construction with engineering supervision provided by U.S. military personnel. It is anticipated that this grant proposal will be received within the next week.

## Background

- Since 1991, the Iraqi population has subsisted on the brink of a humanitarian disaster due to the lingering effects of war, sanctions, and drought. Between 1991 and 1996, the U.S. Government provided nearly \$794 million in humanitarian assistance to internally displaced persons in northern Iraq.

- In 1996, the Government of Iraq accepted the U.N. Oil-for-Food Program (OFF), after which humanitarian conditions improved. Revenues from the OFF program provided food, medicine, and other civilian goods to assist vulnerable Iraqis through the Public Distribution System. However, widespread corruption by Iraqi officials limited the effectiveness of the OFF program.

- On March 20, 2003, Coalition forces began military operations in Iraq. On May 1, 2003, 42 days after the conflict began, U.S. President George W. Bush announced that combat operations in Iraq have ended. Although the recent conflict did not result in the large-scale humanitarian crisis and widespread displacement many had envisioned, the conflict and subsequent disorder has exacerbated the Iraqi population's vulnerable circumstances.

- In March 2003, the United States Government deployed a multi-agency Disaster Assistance Response Team to the region to assess and respond to humanitarian needs and to help coordinate the emergency relief effort. In Iraq, the DART has established offices in Al Basrah, Arbil, Baghdad, and Al Hillah. In addition, DART members are located in Kuwait and Cyprus, and are working closely with U.N. agencies, NGOs, and in coordination with U.S. Military Civil Affairs personnel.

## Other Donor and International Organization Assistance\*

DONOR	US \$ (MILLIONS)	DATE (2003)	ASSISTANCE SNAPSHOT
Australia	\$64.9	April 29	U.N. agencies, ICRC, and NGOs
Austria	\$1.1	April 1	UNICEF
Bangladesh	\$2	April 4	Food Assistance
Belgium	\$4.4	April 29	ICRC, UNICEF
Canada	\$74.6	March 26	WFP, UNICEF, UNHCR, OCHA, ICRC, NGOs
China	N/A	March 27	Tents
Czech Republic	\$41	May 22	UNHCR, WFP, and assistance for refugees, health, education, and reconstruction activities
Croatia	\$2.8	May 2	Blankets, sleeping bags, flour, sugar, water purification disinfectants
European Commission	\$117.7	April 22	U.N. agencies, IOs, and NGOs
Finland	\$5.13	March 25	ICRC, UN OCHA, WFP
France	\$10.7		UNICEF, WFP, NGOs
Germany	\$50	May 5	UNHCR, WFP, ICRC
Greece	\$4.6	May 5	UNHCR, ICRC, NGOs

Information provided by the Information Resource Center  
Embassy of the United States of America  
Madrid, Spain

Iceland	\$3.75	April 8	ICRC, NGOs, UNCHR, WFP
India	\$20	April 4	WFP and U.N. Consolidated Appeal
Ireland	\$5.1	March 31	U.N. agencies and NGOs for humanitarian assistance
Italy	\$16.3	April 29	Field Hospital
Japan	\$212	May 1	U.N. Agencies, NGOs, Bilateral Assistance
Jordan	\$10	May 5	Various
Korea	\$10	April 3	U.N. agencies and Korean NGOs
Kuwait	\$30	March 14	UNHCR, WFP, UNICEF, ICRC
Netherlands	\$20.5	April 2	U.N. Consolidated Appeal and ICRC
New Zealand	\$2.3	April 22	U.N. agencies including WFP, IOs, and NGOs
Saudi Arabia	\$13.3	April 12	Medical Assistance
Spain	\$56.7	April 22	U.N. agencies, bilateral refugee assistance, and NGOs
Sweden	\$38	April 11	OCHA, UNICEF, ICRC, IFRC
Switzerland	\$21.9	April 16	ICRC, UNCHR, IOM, IFRC, OCHA
Taiwan	\$4.3	March 27	Refugee assistance – food, medicine, nonfood items
U.A.E.	N/A	April 22	Medical Assistance
United Kingdom	\$382	April 29	U.N. agencies including WFP, IOs, and NGOs – food, health kits, water units, winter supply kits, primary health, IDP assistance
OTHER DONOR CONTRIBUTIONS TO DATE** .....			\$1,225 MILLION

\*This compilation was drawn from Department of State tracking of donor government pledged or committed funding. The list may not be comprehensive.

\*\* This total is approximate as the value of donated commodities is not available in some cases.

### Public Donation Information

- The most effective way people can assist relief efforts is by making cash donations to humanitarian organizations that are conducting relief operations. A list of humanitarian organizations that are accepting cash donations for their activities in the Gulf can be found in the “How Can I Help” section at [[www.usaid.gov/iraq](http://www.usaid.gov/iraq)].

- USAID encourages cash donations because they: allow aid professionals to procure the exact items needed (often in the affected region); reduce the burden on scarce resources (such as staff time, warehouse space, etc); can be transferred very quickly and without transportation costs; support the economy of the disaster-stricken region; ensure culturally, dietary, and environmentally appropriate assistance.

- General information on making donations and volunteering can be found at:

o USAID: [www.usaid.gov/iraq](http://www.usaid.gov/iraq) -> “How Can I Help?”

o The Center for International Disaster Information: [www.cidi.org](http://www.cidi.org) or 703-276-1914

o InterAction: [www.interaction.org](http://www.interaction.org) -> “Guide to Appropriate Giving”

o Information on relief activities of the humanitarian community can be found at [www.reliefweb.org](http://www.reliefweb.org).

\*Additional Fact Sheets can be obtained from the USAID web site at <http://www.usaid.gov/iraq>

#### U.S. Government Humanitarian and Reconstruction Assistance to Iraq\*

USAID/OTI.....				\$5,442,344
	Administrative	Administrative Costs	Countrywide	\$708,732
	IOM	Iraq Transition Initiative	Countrywide, Umm Qasr	\$1,700,000
	DAI	Iraq Transition Initiative	Countrywide, Baghdad, Mosul, Umm Qasr	\$2,473,253
	Internews	Media	Countrywide	\$160,359
	SAWA	Media	Countrywide	\$400,000
STATE/PRM.....				\$36,630,000
	UNHCR	Emergency assistance	Countrywide	\$21,000,000
	ICRC	Emergency assistance	Countrywide	\$10,000,000
	IFRC	Emergency assistance	Countrywide	\$3,000,000
	IOM	TCN – transportation assistance	Countrywide	\$2,630,000
<b>RECONSTRUCTION</b>				
USAID/ANE .....				\$97,700,000
	ABT	Health	Countrywide	\$10,000,000
	AFCAP	Logistics	Countrywide	\$8,000,000
	Bechtel	Capital Construction	Countrywide, Mosul, Arbil, Umm Qasr, Baghdad, Al Basrah	\$34,600,000
	IRG	Reconstruction Support	Countrywide	\$9,800,000
	RTI	Local Governance	Countrywide, Al Basrah, Baghdad	\$8,900,000

Information provided by the Information Resource Center  
Embassy of the United States of America  
Madrid, Spain

	CAII	Education	Countrywide, Al Basrah	\$1,000,000
	UNICEF	Health, Water and Sanitation	Countrywide	\$8,000,000
	UNICEF	Education	Countrywide	\$1,000,000
	UNESCO	Textbook Printing	Countrywide	\$1,000,000
	WHO	Health	Countrywide, Mosul, Baghdad \$	10,000,000
	SSA	Port Management	Umm Qasr	\$2,900,000
	SkyLink	Logistics	Baghdad	\$2,500,000
<b>TOTAL USAID ASSISTANCE TO IRAQ IN FY 2003.....</b>				<b>\$545,323,737</b>
TOTAL STATE ASSISTANCE TO IRAQ IN FY 2003.....				\$36,630,000
TOTAL STATE/USAID ASSISTANCE TO IRAQ IN FY 2003.....				\$581,953,737

\*Figures in funding sheet are subject to change and do not represent a final official accounting of USG obligations.

<i>Agency</i>	<i>Implementing Partner</i>	<i>Sector</i>	<i>Regions</i>	<i>Amount</i>
<i>FY 2003</i>				
EMERGENCY RELIEF				
USAID/OFDA .....			\$52,848,393	
	Administrative	Administrative Costs	Countrywide	\$4,061,957
	AirServ	Logistics	Countrywide	\$2,151,585
	The Cuny Center	Research studies	Countrywide	\$40,260
	International Dispensary Association Health		Countrywide	\$711,850
	InterAction	Coordination	Kuwait City	\$92,860
	IOM	IDP programs	Countrywide	\$5,000,000
	IMC	Capacity building	Countrywide	\$202,900
	Logistics	Commodities and DART support	Countrywide	\$8,003,850
	SCF/US N	GO Consortium	Countrywide \$	883,131
	UNICEF	Health, nutrition, water/sanitation	Countrywide	\$4,000,000
	UN OCHA	Coordination and Information	Countrywide	\$1,200,000
	WFP	Logistics and pre-positioning of food	Countrywide	\$5,000,000
Cooperative Agreements				
	IMC	Quick-impact projects: Food Security, Health, Nutrition, Water/Sanitation	Countrywide	\$5,000,000
Health			Al Basrah, Maysan, Wasit, Kirkuk	
Health, Water/Sanitation			An Nasiriyah	
	IRC	Quick-impact projects: Health, Water/Sanitation	Countrywide	\$3,000,000
	Mercy Corps	Quick-impact projects: Health, Non-Food Items, Shelter, Water/Sanitation	Countrywide	\$3,000,000
Water/Sanitation			Kirkuk	
Water/Sanitation			Diyala	
Water/Sanitation			Wasit	
Water/Sanitation			Al Basrah	

### **3. Department of State Fact Sheet: UN Security Council Resolution 1483 Lifts Sanctions on Iraq; International Community Pledges Assistance for People of Iraq**

Source: Department of State, <http://www.state.gov/r/pa/prs/ps/2003/20888.htm>

#### **Office of the Spokesman**

Washington, DC

May 22, 2003

In summary, UNSCR 1483:

- Lifts the sanctions burden on the Iraqi people.
- Encourages the international community to assist in helping the Iraqi people build a better future for their country.
- Establishes the position of a UN Special Representative who will play a vital role in all aspects of Iraq's reconstruction.
- Winds down the Oil-for-Food program (OFF) over a six-month period, while providing for the continued delivery of priority civilian goods approved and funded under OFF to meet the immediate needs of the Iraqi people.
- Supports Iraqis in charting their own political and economic future.
- Reaffirms the Coalition's commitment to work with the UN and an Iraqi Interim Administration to transition authority to an internationally recognized, representative government of Iraq as efficiently and effectively as possible.

UNSCR 1483 fulfills the promise of a vital UN role and involves the international community in Iraq's recovery:

- Stresses the right of the Iraqi people to freely determine their own political future and control their own natural resources. The resolution establishes a framework under Chapter VII of the UN Charter for the Coalition, the UN and others in the international community to participate in the administration and reconstruction of Iraq and to assist the Iraqi people in determining their political future, establishing new institutions, and restoring economic prosperity. The resolution will return Iraq's oil revenues to Iraq for the benefit of the Iraqi people.
- Ensures the UN plays a vital role in Iraq's reconstruction. The resolution establishes the position of a UN Special Representative of the Secretary General who will coordinate humanitarian and reconstruction assistance; assist in the development of representative government institutions; facilitate the reconstruction of key infrastructure; and promote economic, legal and judicial reform, and protection of human rights. The Special Representative will work with the Coalition and the people of Iraq to facilitate a process leading to an internationally recognized, representative government of Iraq.

- Encourages international support for Iraq's recovery. The resolution makes it possible for states and organizations to support the Iraqi people in building a free, prosperous and secure Iraq, including by responding to UN humanitarian appeals, providing resources for reconstruction, and contributing to stability and security in Iraq.
- Enlists the support of international financial institutions. UNSCR 1483 calls upon international financial institutions to assist the people of Iraq in the reconstruction and development of their economy and to facilitate assistance by the broader donor community, while calling on creditors to seek a multilateral and bilateral solution to Iraq's sovereign debt.

The international community has come together to support Iraq's recovery and economic reconstruction. UN Security Council Resolution 1483 :

- Ends 13 years of sanctions. Sanctions had been imposed to compel Saddam Hussein's compliance with WMD requirements and contain the threat of his regime. By lifting these outdated sanctions, leaving in place only the weapons ban, the resolution will kick start Iraq's recovery and economic transformation.
- Enables Iraq to rejoin the global market. By abolishing trade restrictions, the resolution will permit Iraq to trade freely in the international market.
- Returns oil revenues to Iraq. Oil revenues from export sales will be deposited in the Development Fund for Iraq housed in the Central Bank of Iraq. The Development Fund will be monitored by an international board that includes representatives of the UN Secretary General, the IMF, the Arab Fund for Social and Economic Development, and the World Bank. Independent public accountants reporting to the board will audit the fund to ensure full transactional transparency.
- Ensures Iraqi revenues are spent on Iraqi reconstruction. The resolution underlines that the Development Fund will be used in a transparent manner: for the humanitarian needs of the Iraqi people, economic reconstruction and repair of Iraq's infrastructure, the continued disarmament of Iraq, the costs of Iraqi civilian administration, and other purposes benefiting the people of Iraq.
- Temporarily immunizes oil sales. To ensure that Iraqis have access to the critical resources needed for reconstruction during the transition period, oil sales will be immunized against attachment by international creditors or others with claims against the former regime until December 31, 2007.
- Winds down the Oil-for-Food (OFF) program over a six-month period. The resolution allows the Secretary General, in coordination with coalition authorities and the Iraqi Interim Administration, to continue to prioritize contracts previously approved and funded by the UN for delivery to meet the immediate needs of the Iraqi people. Action on contracts judged to be of questionable usefulness in light of the changed circumstances will be postponed until an internationally recognized, representative government is established and in a position to make its own

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Madrid, Spain

determination. One billion dollars of unallocated funds in the UN escrow account will be transferred to the Development Fund for Iraq to provide for immediate reconstruction needs.

- Winding down OFF will not mean an immediate end to food distribution. This resolution is an important first step in Iraq's transition to a market economy. During the transition, food distribution will continue through a public distribution system.
- Returns assets stolen by Saddam and his regime to Iraq. Stolen assets will be deposited into the Development Fund to support Iraq's reconstruction.

Resolution 1483 also:

- Promotes disarmament of Iraq. UNSCR 1483 reaffirms the need to disarm Iraq of its weapons of mass destruction.
- Bars Iraqis alleged to have committed crimes and atrocities from receiving safe haven in other countries. UNSCR 1483 affirms the need for accountability for crimes and atrocities committed by members of Saddam's regime.
- Protects Iraq's heritage. UNSCR 1483 establishes a ban on international trade in Iraqi cultural property and other archaeological, historical, cultural, religious and rare scientific items illegally removed from the Iraq National Museum, National Library and other locations.
- Supports continued efforts to account for Kuwaitis and others missing since Iraq's 1990 invasion of Kuwait. UNSCR 1483 directs the International Committee of the Red Cross and other appropriate organizations and individuals to continue efforts to account for the fate of Kuwaiti and Third Country missing persons and property unaccounted for since Saddam's 1990 invasion of Kuwait.
- Provides for continued funding of the UN Compensation Commission, which deals with outstanding claims for victims of Saddam's aggression in Kuwait. Five percent of oil proceeds will be deposited into the UNCC Compensation Fund.

[End]

Released on May 22, 2003

## 4. Future of Iraq by Alan P. Larson

Alan P. Larson, Under Secretary for Economic, Business, and Agricultural Affairs, testimony before the Senate Foreign Relations Committee, Washington, DC, June 4, 2003

Source: <http://www.state.gov/p/nea/ci/c3212.htm>

### Introduction

The liberation of Iraq was a triumph of American armed forces, working with coalition forces. The reconstruction of Iraq must be a triumph of the Iraqi people, working with the coalition and the international community. Our military victory was swift and decisive. The rebuilding of Iraq after decades of misgovernment will take longer. Most of this work will -- and rightly should fall to the citizens of Iraq. It is their country, and they must ultimately decide how it takes shape. The United States and other friends of the Iraqi people will be there to assist, and to advise. A free, democratic and prosperous Iraq will remove an island of hatred that long threatened its neighbors and the United States.

### Update

The situation on the ground in Iraq remains tense. Gunfire, looting and the remnants of Saddam's regime continue to disrupt life in Baghdad and elsewhere. To ensure stability, American troops continue to be deployed throughout the country. In addition, we will stand up an Iraqi national civilian police force within existing structures. In Baghdad, there are already over 7,000 Iraqi police patrolling with U.S. military forces. Until the security situation calms down, it will be difficult for a genuine redevelopment of the Iraqi economy to gather momentum.

Many of the problems that had been widely anticipated did not materialize. We did not see mass hunger, widespread medical emergencies or floods of internally displaced persons. The military plans protected the oil fields from sabotage by Saddam in his final moments.

Looking to the future, there are many things upon which to build. Iraq has a large cadre of talented, dedicated technocrats anxious to return to work. And we have offers from many, many countries ready to provide technical assistance and to do business in Iraq.

We are beginning to see some bright spots. For example:

- \* water in Baghdad is back at 75% of pre-war levels;
- \* power is being gradually restored;
- \* mail delivery has begun around parts of the country;

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- \* the Ministry of Health has been re-established and there is currently no major health crisis;
- \* primary schools re-opened May 4;
- \* oil production is increasing;
- \* the agricultural sector is reviving; and
- \* shops are open and the retail sector is increasingly active.

My colleagues and I can all tell you of the fine work our people have done on the ground in dangerous and difficult circumstances. Ambassador Bremer, General Garner and their teams have worked hard to bring order out of a chaotic situation. Ambassador Bremer is moving quickly to establish coalition authority in the country. State, USAID, Defense, Treasury, Justice and others have experts in the field looking at key reconstruction issues. Ambassador Bremer has made real progress in establishing communications with Washington, and in organizing his own resources to meet the challenges ahead. We in Washington have also organized ourselves to be as helpful to Ambassador Bremer and his team as possible, as they progress from the current situation, where stability and provision of basic services are critical, to a time when we can address broader policy issues.

Some practical steps have already been achieved by the team in Baghdad. For example, an early goal of ours was to re-start economic activity by getting people back to work, and to employ the energy and talent of the Iraqi people in rebuilding the country. In order to get Iraqis untainted by strong links to the Ba'ath Party back to work, the Office of the Coalition Provisional Authority (OCPA), in consultation with Defense, Treasury, State and OMB, has begun making emergency salary payments to Iraqis in key sectors. These payments have brought port workers back to work at Umm Qasr, and key civil servants back to critical jobs at important ministries, for example the Ministry of Trade. And putting cash back into pockets means giving people money to spend on goods and services, which spurs economic activity.

### **UNSC Resolution 1483: A Framework for Reconstruction**

President Bush has made clear his desire to work with the United Nations, other international organizations and other nations to rebuild Iraq. UN Security Council Resolution 1483 provides an important framework for economic development in Iraq. UNSCR 1483:

- \* Recognizes the United States and United Kingdom as the Authority and charges us with carrying out the responsibilities and obligations of this role for the welfare of the Iraqi people.
- \* Ends the economic sanctions in place for more than a decade, allowing trade and financial transactions with the world.
- \* Provides for a significant role for the United Nations in:
  - + humanitarian and reconstruction assistance;
  - + return of refugees;

- + restoring and establishing national and local institutions for representative governance;
- + formation of an Iraqi interim administration; and
- + coordination of humanitarian and reconstruction assistance by a Special Representative of the Secretary General (Mr. Sergio Vieira de Mello has been named to this position).

\* Establishes a Development Fund for Iraq to be used to meet humanitarian needs, for reconstruction and repair of Iraq's infrastructure, and other purposes benefiting the Iraqi people. Specific requirements include:

- + receiving proceeds of all export sales of petroleum and natural gas from Iraq, along with remaining UN funds designated for Iraq, and frozen assets that had belonged to the Government of Iraq or designated senior officials, including Saddam Hussein;
- + disbursing money in a transparent manner, at the direction of the Coalition Authority, with expenditures to be audited by independent public accountants: the humanitarian needs of the Iraqi people; rebuilding the economy and infrastructure; continued disarmament; the costs of civilian administration; and for other purposes that benefit the people of Iraq; and
- + formation of an International Advisory and Monitoring Board, comprising representatives of the UN Secretary General, the IMF Managing Director, the Director General of the Arab Fund for Economic and Social Development and the World Bank President.

\* Supports efforts by the Iraqi people to form a representative government based on equal rights and justice for all Iraqi citizens.

\* Calls upon the international community and multilateral institutions to assist with the reconstruction and development of the Iraqi economy.

\* Provides for a six-month winding-down of the Oil for Food Program (OFF), and removes restrictions on oil exports and sales.

### **The Job Ahead: Key Challenges of Reconstruction**

We speak about the reconstruction of Iraq, but that word is misleading. We are looking not at reconstruction, but at construction, not at rebuilding, but at building. The Iraqi people must overcome the damage of 25 years of corrupt and vicious tyranny to build their society into a lively and historic center in the Middle East.

As a result of Saddam Hussein's misrule, Iraq's economy deteriorated significantly. GDP fell from almost \$180 billion in 1979 when Saddam took power to around \$50 billion in 2001. Twenty-five years ago per capita income was approximately \$17,000 on a par with Italy based on purchasing power. Today, per capita income is around \$2000, comparable to El Salvador. Moreover, the United Nations Development Programme's Arab Development Report 2002 ranked Iraq in 110th place among 111 countries on its Alternative Human Development Index, which measures such things

as life expectancy at birth, educational attainment and enjoyment of civil and political liberties.

Iraq's economy today not only has shrunk, it is distorted in the way that the economies of Eastern Europe and the Soviet Union once were. Central control removed incentives for production. Overcoming the legacy of state planning and controlled prices will be arduous and time consuming.

There are many tasks ahead, including solving problems in the most critical sectors, properly managing the newly created Development Fund for Iraq, creating a healthy trade and investment climate and transitioning the country off the Oil for Food Program.

## **Tasks In Four Key Sectors**

### **Oil**

The oil sector did not do well in Saddam Hussein's Iraq. The infrastructure suffered from years of neglect, forcing Iraqi engineers to exercise ingenuity and find creative solutions to keep oil production levels as high as possible. The technologies applied to boosting production have in some cases damaged the oil fields. The lack of maintenance, equipment, and spare parts also affected the infrastructure throughout the production chain from the wellhead to the gas-oil separation plants, to the power plants, to the pumping stations, to the refineries, and to the pipelines.

Since the liberation, Iraqi and U.S. engineers have been working around the clock to restore production so that Iraq will be able to meet domestic needs and begin earning revenues through exports. A lot of progress has been made already, but much more remains to be done. Because the oil sector is of such central importance and the issues it faces so complex, I will provide more details about it later in my testimony.

### **Food and Agriculture**

The complexity of the task of reconstruction and reintroduction of market principles is well illustrated in the food and agriculture sector.

Under Saddam, agricultural productivity suffered from low investment, input shortages, poor agricultural and irrigation practices, droughts and soil salinity. Returning Iraqi agriculture to productivity and competitiveness is a major challenge we face.

Iraq has not been food-self sufficient, traditionally importing 60-70 percent of its caloric needs. Thus as we rebuild agricultural production to be competitive, we will also need to ensure that a vibrant trading environment exists.

The government rationing system provided a majority of Iraqi's with food. Procurement and production of staples, like grains, were by the government. Neither production nor consumption reflected market prices.

Winding down the Oil for Food program does not mean the end of the need to feed Iraqis, most of whom have received virtually all their food through OFF. We are in the process of re-activating the food distribution system to do this. Operational responsibilities of buying, shipping, and distributing food and medicine will be transferred to us as the occupying power at the end of six months.

In the short run, we must continue food assistance for the Iraqi population dependent on it. In the longer term, we must move the Iraqi economy from the distortions of the Oil for Food program to a market-driven system with cash salaries so that people can begin to purchase their own food. When freed of government control, the agricultural sector is one of the most responsive to market forces.

Locally produced products, such as fruits and vegetables are now traded freely in open markets. Our challenge will be to extend this to grains, wheat and rice, which are the staples of the Iraqi diet.

USDA and AID have already begun to think through and implement steps needed to reintroduce competitiveness to Iraqi agriculture. For example, USAID and USDA have already designed and are putting in place a project to assist agricultural production and develop agricultural enterprise, credit availability and infrastructure. In the 1980's the United States was Iraq's largest supplier of agricultural products. We now look forward to rebuilding cooperation between Iraqi and U.S. agricultural sectors.

## **Transport**

Critical to Iraq's reconstruction will be the transportation sector, which faces numerous challenges. On May 23, the port of Umm Qasr became the first reconstruction project transferred from military to civilian administration. The basic infrastructure is sound, but has not received proper maintenance for years. Rehabilitation priorities include the port administration buildings, new lighting, utilities, security fences, grain elevators, port dredging so that larger bulk grain vessels can offload near the grain elevators. The adjoining railroad system is also under review for repair to help move the large amount of cargo projected to arrive through the port. Major roadways have also sustained conflict-related damage and will need work.

In civil aviation, the aircraft of Iraqi Airways, the former national carrier, are parked outside Iraq and are not airworthy. Moreover, Baghdad International Airport has taxi lane craters, broken runway lights, unexploded ordinance, plumbing difficulties, and security access control problems. There is also no functioning civil aviation authority to oversee airport security, flight safety oversight, and the administration of civil services. Despite these obstacles, the Coalition Provisional Authority hopes to resume civil services before July to accelerate the flow of U.S. and foreign actors involved in reconstruction efforts. We foresee that with the improvement of Iraq's internal transport system, trade and investment relations with its neighbors will also improve.

USAID contractors Skylink, Bechtel and Global Securities are making preparations for the possible re-opening of Baghdad International Airport to limited commercial traffic by June 15. As part of an interim operation, Global Securities is to provide passenger and baggage screening security, Bechtel a temporary passenger terminal and Skylink airport management. Skylink has also been contracted to assess and make preparations for the re-opening of the Basra Airport. USAID contractor, Stevedoring Services of America, assumed operational responsibility for the deepwater port of Um Qasr from the British military on May 23.

## **Telecommunications**

Telecommunications remains a critical requirement for OCPA and the reconstruction effort. Prior to the conflict, Iraq had minimal telecommunications -- some three phones per 100 citizens. Although among the lowest levels in the world, even this low figure overstates phone penetration experienced by the average Iraqi since the ruling institutions Baath Party, military and government offices controlled many of the phones. In addition, there was no wireless system, little Internet and few computers.

In prosecuting the war, command and control systems, and telecommunications centers, were targeted. The war and subsequent looting and fires destroyed some 50 percent of the telephone switches in Baghdad and severed all intercity and international links. Thus, even though about two-thirds of the 800,000 lines in Iraq remain serviceable; they can connect only with phones in their local exchanges.

As part of its efforts to provide security and operations for OCPA, DoD contracted with MCI for a small emergency wireless system for Baghdad, initially involving some 2,000 phones. The United Kingdom Ministry of Defense contracted through Vodafone for similar wireless coverage in the south.

The Department of State has been active in developing a policy response to address the larger telecommunications requirements. State leads an interagency Telecommunications Support Team to coordinate with and support the operations of OCPA's Joint Communications Advisory Board. The interagency team has endorsed a three-phase approach for telecommunications that addresses 1) emergency requirements, 2) telecommunications needs assessments, and 3) development of a broad policy framework for the telecommunications sector reconstruction and development.

The interagency team has also taken the lead in responding to specific telecommunications requests from OCPA, including that from Ambassador Bremer for an emergency interim nationwide communications system for Iraq. With interagency agreement, State has recommended that USAID contract for the rapid restoration of critical emergency telecommunications facilities. This contract would provide a coherent, integrated management approach to emergency telecommunications that would link 21 cities and provide international connections. It would call for multiple technologies and not prejudge future decisions by service providers about technology. It would support supervisory control and data acquisition (SCADA) systems for other critical sectors -- power, water, refinery, transportation/airport, as well as support medical, fire, police and other emergency

response operations. And, most importantly, it would provide these services within 30 days.

In other areas, members of the interagency team are developing a spectrum management plan and a framework for the telecommunications regulatory structure in Iraq that has as its goal a market based, private sector-led telecommunications sector.

Looking forward, there remain several requirements for getting a modern telecommunications system in Iraq. These include repair and building the wireline system, as well as a registration system leading to competitive licensing of wireless service providers so the Iraqi people can benefit from this important technology. We are working, as noted above, to establish the policy infrastructure for this action. It is difficult to speak with precision as to when these actions can be completed, but we hope within a matter of months.

As you can see from a very brief overview of key sectors, Iraq will need assistance to get up and running. Not long-term aid, but shorter-term aid until its economy can function well, and its citizens prosper.

### **Management of the Country's Finances. The Development Fund for Iraq**

Security Council Resolution 1483 directs that oil proceeds be deposited in a Development Fund for Iraq and be used for the humanitarian needs of the Iraqi people, for rebuilding the economy and infrastructure, for continued disarmament, and for the costs of civilian administration. Ambassador Bremer already has created a senior-level Project Review Board, to be chaired by former USAID Director Peter McPherson, that would approve projects and allocate funding sources. This process of reviewing and approving expenditures will provide the basis for a national budget for Iraq; Treasury already has budget experts on the ground in Baghdad working on these issues. We also expect OCPA to design a transparent procurement mechanism for Development Fund expenditures that is consistent with USG procurement guides.

We have worked with other agencies to open accounts for the Development Fund for Iraq in both the Central Bank of Iraq and at the New York Federal Reserve Bank. The Development Fund for Iraq is now open for deposits of oil sale proceeds and other revenues, including transfers from the UN. State is also working closely with the Department of the Treasury to support the work of the International Advisory and Monitoring Board, which will bring representatives of the UN and international financial institutions together to approve auditors for the Development Fund for Iraq.

### **Creating a Healthy Climate for Trade and Investment**

Removing economic and financial sanctions alone will not open trade. We must re-establish Iraq's trade with its neighbors and the world, and establish a healthy business climate for Iraqis and for domestic and foreign investment. Our team in the field has already made a preliminary identification of several key issues. These include:

- \* establishment of a new tariff schedule;
- \* removal of non-tariff barriers;
- \* encouragement of foreign investment through drafting of a more open investment code and loosening of restrictions of foreign ownership of private property;
- \* creation of an effective banking system, and other financial services;
- \* privatization of substantial means of production and development;
- \* adoption of effective copyright protections; and
- \* eventual entry into the WTO.

### **Mobilizing Resources for Iraq Reconstruction**

UNSC Resolution 1483 lays a foundation for redevelopment of much of Iraq's economy and more work will need to be done over and above that. The American people and coalition allies paid the price in blood and treasure to liberate Iraq. The cost of redeveloping Iraq's economy should be shared by the Iraqi people, the international community and by the coalition.

I cannot give you a figure on how much it will cost to rebuild Iraq. This is a complicated question with a number of component parts. First, there is a need for funding of repairs and rehabilitation following this most recent conflict. Second, is the larger task of undoing the damage done by decades of Saddam Hussein's misrule, corruption, plunder and the distortions of central state planning. Third, the Iraqi people will need financing—public and private, domestic and foreign—to bring Iraq isolated for decades into the information-rich, technology-driven global economy.

As my comments on the oil, agriculture, transport and telecommunications sectors imply, it will be some time before we can even begin to estimate accurately all the forms of damage this country's economy has sustained. We are not talking about traditional long-term financial assistance. Iraq needs help to get its economy on a sound basis, develop a welcoming investment climate and integration into regional and international trade. The global community has asked the World Bank and UNDP to send a team of experts to Iraq soon to do a thorough assessment. The instability of the environment hampers our efforts currently, but to the extent we can, we stand ready to update you at any time on this important issue.

There are a number of resources that we plan on mobilizing to finance the rebuilding of Iraq.

### **Found and Vested Assets**

First, existing Iraqi state assets and the ill-gotten gains of Saddam Hussein and his regime will be made available for the benefit of the Iraqi people.

After Saddam Hussein's invasion of Kuwait in 1990, the United States acted quickly and decisively to deprive the Iraqi regime of the means and materials to continue its regional aggression, further develop its weapons of mass destruction programs, and

continue its repression of the Iraqi people. Consistent with UNSC Resolution 661, the United States blocked all Iraqi state assets legally within its control.

Today, the United States is using those assets for the benefit of the Iraqi people, as they build a new and better Iraq. The President vested \$1.7 billion in Iraqi government assets in the United States. The Secretary of the Treasury has already designated the Secretary of Defense with the authority to use over \$573.5 of these assets to meet the immediate humanitarian needs of the Iraqi people.

Since the President signed the March 20 Executive Order vesting Iraqi state assets in the United States, the State Department, in cooperation with our interagency partners, is confirming the status of assets declared frozen by foreign governments in 1991. We have reached out to more than 20 additional countries that also may have information regarding Iraqi state assets. With the unanimous passage of UNSCR 1483, we are also reminding countries of their obligation under the new resolution to make available any Iraqi state assets to the Development Fund for Iraq.

We have had, and continue to have, extensive bilateral and multilateral meetings with key jurisdictions. For example, the Administration took advantage of the IMF/World Bank meetings held in Washington in April to hold several important bilateral meetings to discuss the matter. Treasury and State officials have contacted their counterparts in key jurisdictions. My colleagues and I have stressed the need for all countries to search their financial institutions for ill-gotten gains of Saddam Hussein and his regime.

The Department of State is working closely with the Departments of the Treasury, Justice, Defense, and Homeland Security, as well as law enforcement and intelligence colleagues across the government, to identify additional assets and front companies that may be connected to Saddam Hussein or his fallen regime. Our efforts are leading to the identification of funds that can be made available for the benefit of the Iraqi people. To date more than \$1 billion in previously unfrozen assets outside Iraq have been identified.

### **Revenue From Petroleum Production**

Oil sales are the biggest potential source of revenue for the new Iraq, as they were for the old, but this time Iraq's oil revenues will benefit the Iraqi people. A top priority is to bring the industry on line and to repair and rehabilitate the existing infrastructure. A highly qualified team is ready to take on this work. Thamir Ghadhban is the CEO of the Oil Ministry and is actively directing the process. He has a team of experienced and well-qualified Iraqi managers and engineers in place at the Oil Ministry, the State Oil Marketing Organization (SOMO), and the South and North Oil Companies, and they have technical support from the Army Corps of Engineers. Steps are being taken every day by Iraqis working with the Army Corps to assess the condition of wells, pipelines, pumping stations, gas-oil separation plants, power grids, and refineries, and to make repairs. As the security situation improves, the work will proceed at a faster pace.

Iraq's entire oil infrastructure was shut down in the face of the American advance. The Iraqis and we have been working diligently since the international coalition liberated Iraq, to bring the sector back on line. Mr. Ghadhban announced on May 21 that Iraq was already producing 800,000 barrels of oil per day. While there are many variables that can affect success in meeting production goals, he also said that production could reach 1.4 or even 1.5 million barrels by June 15. On May 28, Mr. Ghadhban announced that the northern fields around Kirkuk have been producing 600,000 barrels per day since May 27 but are not expected to increase production above that level in the near term. In the south, the situation is not as far advanced, but again, progress is being made. He also said that, as of May 27, oil production in southern Iraq exceeded 200,000 barrels per day, so it seems that Iraq is well on its way to meeting Mr. Ghadhban's production goals.

As a point of comparison, Iraq produced between 2 and 3 million barrels per day in 2002. This is was down from 3.5 million barrels produced at Iraq's production peak in 1990. During 2002, Iraq exported an average of 1.7 million barrels per day.

Mr. Ghadhban also announced that the Basra refinery is -- or soon will be -- operating at full capacity 140,000 barrels per day. The plant is antiquated and the condition of the pipeline that runs to Baghdad is still being assessed. Iraq's two other major refineries at Baiji and Daura are also operating, but at below capacity, because of damage from looting, the continued lack of stable electrical power, and a shortage of heavy fuel storage.

Mr. Ghadhban has determined the first task is to ensure that Iraq is able to meet its own domestic needs for motor fuel and liquefied petroleum gas, which is used for cooking. Iraq's domestic needs for refined products require a production level of some 250,000 barrels of oil per day. But in creating gasoline, Iraq also generates considerable heavy fuel, which is largely exported. As Iraqi oil production reaches 1.3 - 1.5 million bpd, this would translate into roughly 1 million barrels of crude oil available for export every day, plus lesser quantities of refined product/heavy fuel.

SOMO has placed the first crude up for sale and is in the process of collecting and evaluating bids in expectation of oil liftings resuming in the next week, if not the next few days.

There is ample crude ready for export now through the port at Ceyhan in Turkey, with over nine million barrels of oil already in storage at the port, over eight million of which will be ready for export as soon as contracts can be drawn up and signed by SOMO.

The Mina al-Bakr oil terminal is operational. However, there are a number of problems that will need to be resolved in the south, not the least being the need to repair an industrial water plant needed for oil extraction, in order to raise production to pre-war levels of 1.2 million barrels per day.

In order to export these quantities, however, the legal framework of contracts, guarantees, payments, and credits will need to be finalized. SOMO has been working to draft a model contract. The head of SOMO, Mohammed al-Jibouri, has announced

that the new contracts will be similar to those used under the Oil for Food program, but some important changes are envisioned: most importantly, contracts will be made transparently, unlike the past when Saddam Hussein sought kickbacks from purchasers.

Al-Jibouri plans to sign direct sales contracts with traders and refiners, cutting out the middlemen that facilitated the kickback schemes. SOMO will also drop the UN's retroactive pricing formula, moving instead to standard market pricing techniques.

The petroleum sector has seen virtually no new investment since 1991, and no new technology. Upgrades to protect the environment, to enhance efficiency, and to meet commercial and safety standards are badly needed, both upstream and downstream. There are a number of estimates that have been made regarding the probable costs associated with returning Iraq's oil production to previous levels. For example, Cambridge Energy Research Associates recently put a ballpark figure of \$3 billion over two years to reach 3.5 million bpd through an intensive program of rehabilitation and modernization. This would bring production back to pre-1990 levels.

In the meantime, Mr. Ghadhban has announced that in the short term Iraq would need not billions of dollars but "several hundred million dollars." Under a new Iraqi Government, Ghadhban has noted that, "We are going to open the doors for foreign investment but in accordance with a formula that safeguards the interest of the Iraqi people."

Oil Ministry officials hope to raise production to over 2 million barrels per day by the end of this year. This will require more rehabilitation of the Rumaila fields and production chains in southern Iraq. Since the security situation is only slowly improving, it is difficult to project the likelihood of success or the likely costs associated with this work.

There obviously is considerable uncertainty surrounding these production and export projections. But we can still use these numbers as a rough basis for estimating potential revenue earnings from oil exports. In the next few days, as Iraq begins to sell oil from Ceyhan and the Gulf, we will have a better idea of the price Iraqi oil can fetch, compared to other blends on the market. Recently, European oil traders were tentatively pegging Kirkuk crude at a price of \$3.65 to \$3.85 per barrel lower than Brent, which is the standard against which all European crude is measured. Because of long-term damage to the fields, Kirkuk crude is higher in sulfur than it used to be. Europe's strict air quality standards will make the oil a hard sell there, which is reflected in the lower price.

If, for purposes of estimate, we say that a barrel of Iraqi crude sells for \$20, and if Iraq is able to bring exports up at a stable rate from 1 million bpd in mid-June to 2 million bpd at the end of the year, Iraq's gross earnings before costs are deducted would be in the range of \$5 billion for the second half of 2003. If Iraq is able to maintain stable production and export rates at 2 million bpd throughout 2004, it could earn, again in gross revenues, about \$14-15 billion. But potential earnings are subject to a host of factors both inside and outside the country, including the volatile nature of global oil markets and whether there is sufficient demand for Iraq's sour crude to keep

the price at the projected range. The state of the global economy is also hard to predict, and this too will have an impact on potential earnings.

In looking toward the longer term, Iraq's oil ministry has begun to assess its rehabilitation requirements and evaluate existing service contracts against identified needs. Development contracts with Lukoil and China are being held in abeyance until a new Iraqi government is in place to determine their future. We would expect that the new government would also need new contracts to upgrade facilities including refineries, gas-oil separation plants, power plants, pipelines and pumping stations, as well as to rehabilitate wells and open new fields to production.

Because Iraq has not had access to investments or new technology over the last decade, analysts say that the country may not be able to increase its production at existing fields even to pre-1990 levels, because standard operating procedures used over the past decade may have caused irreparable damage to the fields, especially in Kirkuk. The status of these fields will need to be assessed.

Over the long term, Iraq will want to acquire updated technology, and may want to open new fields (only 15 of the 73 known fields are in production now). It is possible that Iraq will also be looking into options for exploration in other regions.

Other parts of the oil sector infrastructure also need work. According to recent reports, the Mina al-Bakr export terminal in the Gulf has the potential to handle 1.6 million barrels per day, but we estimate that it cannot be safely run at levels much above 1.1 million. A second oil terminal, Khor al-Amaya, was destroyed in the first Gulf War and only partially repaired. It lies in a calmer area of the Gulf, however, and once rehabilitated will provide a useful alternative.

Many commentators are speculating about how much it would cost if Iraq should seek to raise production above historical levels. For example, experts at Deutsche Bank, PFC Energy Associates, and Energy Compass, have looked at not only sector rehabilitation, but also new field production. They have come up with large estimates of the financial cost of raising Iraqi oil production far above its historical peak.

But it will be up to the new Iraqi government to decide how far it wants to go and just where it wants to target Iraq's future production levels. Any large expansion of Iraq's production capacity would have to be accommodated by increased demand in the international oil market; such an increase in production capacity would, in all probability, need to be privately financed. The focus now is on rehabilitation and repair to help Iraq meet Mr. Ghadhban's more modest goal of 2 to 2.5 million barrels per day.

Finally, new laws and regulations will be needed to foster investment and facilitate foreign ventures in order to fund new development.

OPEC will hold its next meeting on June 11 in Doha. Mr. Ghadhban has indicated that Iraq has no plans to leave OPEC, which it helped establish, but he also has no plans to attend the June 11 meeting. Before the first Gulf War, Iraq was responsible for about 4 percent of world oil sales. Under UN sanctions, Iraq was exempt from

OPEC quotas, and the other OPEC members, especially Saudi Arabia, adjusted production to compensate for Iraqi oil sales through the UN Oil for Food program and to maintain their target price of \$25 to \$28 per barrel.

### **Contributions From Other Countries**

Despite the billions Iraq has in existing assets and expected oil revenues, resources will remain far below what will be needed for the next year or so to help the Iraqis achieve a stable economic base. We expect that other countries both individually and through international organizations such as the United Nations will make major contributions to this effort. Many countries have come forward with offers of assistance either monetary or in-kind contributions. To date these have been offers nearing \$2 billion from third countries—much of this pledged through the \$2.2 billion UN appeal. The EU alone has promised \$107 million. There have also been many pledges of in kind contributions -- from Albania's 70 peacekeeping troops to Jordan's field hospital to a medical team from Lithuania.

Even before the fighting stopped, the State Department, working closely with colleagues from DoD and Treasury, launched a series of quiet consultations with countries that share our interest in helping Iraq rebuild. These consultations confirmed that there is widespread recognition that repairing the damage of decades of misrule in Iraq is an international undertaking.

We now are working with the United Nations and the World Bank on a preparatory meeting on reconstruction that will involve a broad cross section of countries. The preparatory meeting will examine not only current needs, but also explore requirements in coming years. The preparatory meeting will be organized by the UNDP, the World Bank and the United States on June 24. One outcome of the meeting is likely to be a major donors conference in the fall. The meeting should also underline the urgency of undertaking a World Bank/UNDP needs assessment.

### **Debt Relief**

In addition to the many costs Iraq faces to rebuild its economy, it will also have to deal with the weight of huge amounts of debt contracted by the previous regime. Treasury and State are working with other creditor countries on a long-run solution to Iraq's debt burden that is responsive to the full range of Iraq's creditors. Secretary Snow has urged the need for a comprehensive, multilateral debt treatment for Iraq. The issue was discussed at the spring World Bank/IMF meetings and in the G-7, where nations agreed on the need to engage the Paris Club, a group of creditor nations that meet regularly to provide debt relief to debtor countries.

At the April session of the Paris Club, State and Treasury and Paris Club colleagues discussed Iraq and began the process of debt data reconciliation. In their recent meeting at Deauville, G-8 Finance Ministers recognized that it would be unrealistic to expect Iraq to make payments on its debt at least through the end of 2004. Currently, Iraq is not making payments on its international debt. The G-8 also asked the IMF to assess Iraq's debt situation.

## **Private Sector Investment**

In the end, the single largest contributor to Iraq's economic renewal will be the Iraqi people, their ingenuity and their determination to improve their lives, now that the burden of the Saddam regime has been lifted.

Ambassador Bremer has stressed that we must begin to create the conditions for a free market economy in Iraq now. Our biggest challenges will be creating a secure environment in which honest Iraqis can establish and run businesses, and the smooth transformation of a state-controlled economy into a free market. But the Iraqi people are talented and ambitious. And, despite decades of war, Iraq has a small private sector, which can be nurtured back to health.

We have been studying the legal and economic reforms needed to create a stable business environment in Iraq. Ambassador Bremer's team has been cataloging such reforms which range from lifting tariffs to WTO accession to creation of a new legal framework. These and many other practical issues must be addressed before international trade activity with Iraq will resume and flourish.

In Washington, State's Assistant Secretary for Economic and Business Affairs has hosted a series of interagency meetings to look at key economic reconstruction issues for which Ambassador Bremer's team in Baghdad needs Washington guidance. Last week, the group conferred over necessary steps to revitalize business and commerce in Iraq following the lifting of economic sanctions. The group also examined action needed to successfully transition from the current centrally controlled food distribution system under the UN's Oil for Food program to a market-based food distribution system.

We have been drawing on the knowledge and expertise of our embassies in the region, and are also working to engage regional governments the idea being to identify "best practices" and use regional reform models where appropriate.

One of the most important steps we can take is to help Iraq re-integrate with the broader regional economy. The upcoming June 21-23 special World Economic Forum event in Amman, Jordan, provides an excellent opportunity to begin this process, as Secretary Powell will undoubtedly underline during his discussions there. In addition, the international development institutions and the donor community will focus extensively on steps we can take to re-stimulate private economic activity in Iraq during June 24 donor's meeting at the United Nations.

## **Conclusion**

The transformation that will take Iraqis from life under a ruler of unimaginable cruelty to a free and prosperous nation will take time. The American people have committed to help Iraqis make this transformation, but it will require much more work on our part. The long-term future of Iraq depends on the establishment of rule of law, representative government, and sustainable economic development. The United States, our coalition partners, the United Nations, and most importantly, the Iraqi

people, must work together to finish the job, in order to guarantee peace and stability in the region, and safety for the American people.

The Administration welcomes the strong interest of the Congress in this issue and its strong support for the important task at hand. We look forward to working closely with the Congress in the months ahead.

[End]

## 5. Annotated Web Sites

### [The White House: Renewal in Iraq](http://www.whitehouse.gov/infocus/iraq/index.html)

<http://www.whitehouse.gov/infocus/iraq/index.html>



This White House web page offers an in depth account of USG position regarding Iraq and a complete repertory of official sources. The initial statement indicates: “For more than a decade, Saddam Hussein has deceived and defied the will and resolutions of the United Nations Security Council by, among other things: continuing to seek and develop chemical, biological, and nuclear weapons, and prohibited long-range missiles; brutalizing the Iraqi people, including committing gross human rights violations and crimes against humanity; supporting international terrorism; refusing to release or account for prisoners of war and other missing individuals from the Gulf War era; refusing to return stolen Kuwaiti property; and working to circumvent the UN's economic sanctions.”

### [U. S. State Department](http://www.state.gov/p/nea/ci/c3212.htm)

<http://www.state.gov/p/nea/ci/c3212.htm>

### [U. S. State Department, International Information Programs](http://usinfo.state.gov/regional/nea/iraq/)

<http://usinfo.state.gov/regional/nea/iraq/>



These two web pages of the U.S. State Department offer the best repertory of U.S. official sources of information on Iraq. The International Information Programs office conducts, develops and distributes Public Diplomacy materials in support of U.S. foreign policy objectives. Among its products and services are topical Web sites, a daily press service (the Washington File), publications, a speakers service, and overseas information resource centers. This web page on the liberated Iraq offers official statements, key reports, fact sheets, and in depth information on humanitarian aid, security and Justice, democratic principles and infrastructure and economic growth.

### [USAID Assistance for Iraq](http://www.usaid.gov/iraq/)

<http://www.usaid.gov/iraq/>



The United States Agency for International Development (USAID) offers over this specific web page, *Assistance for Iraq*, in depth information about its role in Iraq's reconstruction. USAID provides urgent humanitarian and reconstruction assistance to the people of Iraq - to save lives, alleviate suffering, mitigate the impact of emergency situations and help start the reconstruction by which the Iraqi people will build the institutions and governing structures that will guide their future.

### [Radio Free Europe/Radio Liberty, Post Saddam Iraq](http://www.rferl.org/specials/iraqcrisis)

<http://www.rferl.org/specials/iraqcrisis>



Special web page by Radio Free Europe/Radio Liberty, a private, international communications service to Eastern and Southeastern Europe, Russia, the Caucasus, Central Asia, and the Middle East, funded by the United States Congress. In the broadcast region, RFE/RL radio programs reach 35 million listeners who rely on RFE/RL's daily news, analysis, and current affairs programming to provide a coherent, objective account of happenings in their region and the around world. Concentrating on events within this complex region, RFE/RL provides balanced, reliable information to bolster democratic development and market economies in countries where peaceful evolution to civil societies is of vital interest to the U.S.

### [Iraq, A Dossier by the U. S. Embassy in Belgium](http://www.uspolicy.be/Issues/Iraq/iraq.htm)

<http://www.uspolicy.be/Issues/Iraq/iraq.htm>



*www.uspolicy.be* is a web service provided by the Public Affairs Section, Embassy of the United States in Brussels. Its purpose is to provide timely and authoritative information on U.S. Government policy issues as well as on the ongoing debate of these issues in Congress, the academic world, think tank publications, and the media. *www.uspolicy.be* showcases leading research, opinions and events shaping public policy on a variety of issues in the foreign affairs, defense and economic relations areas.



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June 2003